DEPARTMENT OF HEALTH & HUMAN SERVICES **Office of Inspector General**

Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

JUN 23 2010

Report Number: A-09-09-00110

Mr. Toby Douglas
Chief Deputy Director of Health Care Programs
California Department of Health Care Services
1501 Capitol Avenue, MS 0002
Sacramento, CA 99859-7413

Dear Mr. Douglas:

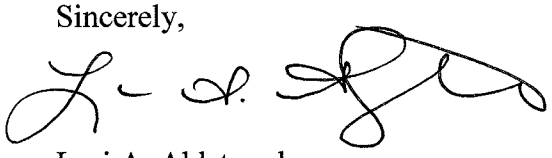
Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Medicaid Payments for Services Claimed for Deceased Beneficiaries in California.* We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://oig.hhs.gov.

If you have any questions or comments about this report, please call Tom Lin, Senior Auditor, or Alice Norwood, Audit Manager, at (415) 437-8360. Please refer to report number A-09-09-00110 in all correspondence.

Sincerely,



Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
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Department of Health & Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF MEDICAID PAYMENTS FOR SERVICES CLAIMED FOR DECEASED BENEFICIARIES IN CALIFORNIA

Daniel R. Levinson
Inspector General

June 2010
A-09-09-00110

Office of Inspector General

http://oig.hhs.gov

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security Act, the Medicaid program provides medical assistance to certain low-income individuals and individuals with disabilities. In California, the Department of Health Care Services (the State agency) administers the program.

Federal regulations state that an overpayment is the amount that a Medicaid agency paid to a provider in excess of the amount allowable for furnished services. Because services cannot be provided after a beneficiary's death, no medical services are allowable after a beneficiary's death. Accordingly, payments for services claimed to have been provided after a Medicaid beneficiary's death are overpayments.

The Social Security Administration maintains a data file of deceased individuals compiled from State governments, funeral homes, and friends and family of the deceased. This information is available to State and Federal agencies to assist in preventing payments for services claimed to have been provided after beneficiaries' deaths.

The California Department of Public Health, Office of Vital Records (OVR), maintains a central registry with a comprehensive and continuously updated index for all births and deaths in California. The State agency obtains death records from OVR to update its Medicaid eligibility data files. In addition, the State agency periodically reviews claims and beneficiary eligibility to identify and recover Medicaid payments for services claimed to have been provided after beneficiaries' deaths.

We identified California Medicaid beneficiaries for whom the State agency had paid fee-for-service claims for services provided during the period January 1, 2007, to June 30, 2008. For Medicaid-eligible beneficiaries that we verified were deceased, we determined the amounts paid for services claimed to have been provided after their deaths through April 2009.

OBJECTIVE

Our objective was to determine whether the State agency made Medicaid payments to providers for claims with dates of service after beneficiaries' deaths.

SUMMARY OF FINDING

The State agency made Medicaid payments to providers for claims with dates of service after beneficiaries' deaths. Specifically, the State agency paid a total of $273,457 ($136,729 Federal share) for 1,205 fee-for-service claims for 35 deceased Medicaid beneficiaries. We verified the dates of death for these beneficiaries by reviewing death certificates.

The overpayments occurred because the State agency's controls did not always identify and recover payments made for services claimed to have been provided after beneficiaries' deaths. Specifically, the State agency's Medicaid eligibility data files did not always reflect that

beneficiaries had died. The State agency commented that potential delays exist in obtaining and updating these data files with beneficiaries' dates of death, making it possible for claims to be paid for deceased beneficiaries.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government $136,729 (Federal share) in Medicaid payments for claims with dates of service after beneficiaries' deaths and

- strengthen its controls for identifying deceased beneficiaries to prevent overpayments in the future.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its comments on our draft report, the State agency said that it continues to review our findings and will refund to the Federal Government amounts paid for claims with dates of service after beneficiaries' deaths. The State agency noted that for one beneficiary, the medical examiner submitted an amended certificate of death to the county recorder's office. The State agency said that the payments made for this beneficiary were for services provided before the date of death and were therefore appropriate. In addition, the State agency described actions taken to strengthen its controls for identifying deceased beneficiaries to prevent overpayments. The State agency's comments are included in their entirety as the Appendix.

After reviewing the State agency's comments and additional documentation, we revised our finding to remove the payments for the beneficiary for whom services were provided before the date of death and adjusted the amount of the recommended refund.

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INTRODUCTION

BACKGROUND

The Medicaid Program

Pursuant to Title XIX of the Social Security Act, the Medicaid program provides medical assistance to certain low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In California, the Department of Health Care Services (the State agency) administers the program.

Medicaid Payments for Deceased Beneficiaries

Federal regulations (42 CFR § 433.304) state that an overpayment is the amount that a Medicaid agency paid to a provider in excess of the amount allowable for furnished services. Because services cannot be provided after a beneficiary's death, no medical services are allowable after a beneficiary's death. Accordingly, payments for medical services claimed to have been provided after a Medicaid beneficiary's death are overpayments.

Social Security Administration and State Agency Death Information

The Social Security Administration (SSA) maintains a data file of deceased individuals compiled from State governments, funeral homes, and friends and family of the deceased. All reported deaths of people who have Social Security numbers are routinely added to SSA's Death Master File. This information is available to State and Federal agencies to assist in preventing payments for services after death.

The California Department of Public Health, Office of Vital Records (OVR), maintains a central registry with a comprehensive and continuously updated index for all births and deaths in California. The central registry is updated with an individual's death information after the information has been registered and recorded by the county.

The State agency obtains death records from OVR to update its Medicaid eligibility data files. As part of claims processing, the State agency uses these data files to determine whether a beneficiary is eligible for Medicaid and whether a beneficiary is deceased. If these data files indicate that a beneficiary is deceased, claims with dates of service after the date of death are denied for payment. In addition, the State agency periodically reviews claims and beneficiary eligibility to identify and recover Medicaid payments for services claimed to have been provided after beneficiaries' deaths.[1]

[1] The State agency contracted with Health Management Systems to perform special projects, including a review of payments made to providers for deceased beneficiaries. Health Management Systems uses the SSA Death Master File to perform these reviews.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency made Medicaid payments to providers for claims with dates of service after beneficiaries' deaths.

Scope

From January 2007 through June 2008, the State agency paid approximately $46 billion in Medicaid fee-for-service claims. To identify potentially deceased beneficiaries, we matched Medicaid beneficiaries' names, Social Security numbers, and birth dates (obtained from the Medicaid claims data) with corresponding data for deceased individuals from the SSA Death Master File. We identified 249 beneficiaries with fee-for-service payments totaling more than $5,000 per beneficiary for services after the beneficiaries' dates of death.

From the 249 beneficiaries we identified as deceased, we excluded (1) those deceased beneficiaries for whom the State agency was actively pursuing collection of overpayments prior to our review and (2) those beneficiaries for whom the dates of death could not be verified. For Medicaid-eligible beneficiaries that we verified were deceased, we determined the amounts paid for services claimed to have been provided after their deaths through April 2009.

We did not review the overall internal control structure of the State Medicaid program. We limited our internal control review to obtaining an understanding of the State agency's procedures to identify payments for services claimed to have been provided to deceased beneficiaries and to recover the overpayments.

We performed our fieldwork at the State agency's office in Sacramento, California.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicaid laws and regulations;

- reviewed the State agency's policies and procedures related to death notification and preventing or recovering payments for services claimed to have been provided after beneficiaries' dates of death;

- identified California Medicaid beneficiaries for whom the State agency had paid fee-for-service claims for services provided during the period January 1, 2007, to June 30, 2008;

- for the identified beneficiaries, matched the Medicaid eligibility data files to the SSA Death Master File by names, Social Security numbers, and birth dates to identify potentially deceased beneficiaries;

- for the identified beneficiaries, compared SSA death information with death certificates obtained from the State agency to determine whether the SSA date of death was accurate for each beneficiary;

- determined the total amount of overpayments associated with services for the identified deceased beneficiaries; and

- coordinated our review with the State agency.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATIONS

The State agency made Medicaid payments to providers for claims with dates of service after beneficiaries' deaths. Specifically, the State agency paid a total of $273,457 ($136,729 Federal share) for 1,205 fee-for-service claims for 35 deceased Medicaid beneficiaries.

FEDERAL AND STATE REGULATIONS

Federal regulations (42 CFR § 433.304) state that an overpayment is the amount that a Medicaid agency paid to a provider in excess of the amount allowable for furnished services.

State regulations (California Code of Regulations, Title 22, section 50067) state that an overpayment is the receipt of Medicaid benefits when there is no entitlement to all or a portion of the benefits received.

PAYMENTS TO PROVIDERS FOR DECEASED BENEFICIARIES

The State agency paid a total of $273,457 (Federal share $136,729) for 1,205 fee-for-service claims for 35 deceased Medicaid beneficiaries. We verified the dates of death for these beneficiaries by reviewing death certificates.

The overpayments occurred because the State agency's controls did not always identify and recover payments made for services claimed to have been provided after beneficiaries' deaths. Specifically, the State agency's Medicaid eligibility data files did not always reflect that beneficiaries had died. The State agency commented that potential delays exist in obtaining and updating these data files with beneficiaries' dates of death, making it possible for claims to be paid for deceased beneficiaries.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government $136,729 (Federal share) in Medicaid payments for claims with dates of service after beneficiaries' deaths and

- strengthen its controls for identifying deceased beneficiaries to prevent overpayments in the future.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its comments on our draft report, the State agency said that it continues to review our findings and will refund to the Federal Government amounts paid for claims with dates of service after beneficiaries' deaths. The State agency noted that for one beneficiary, the medical examiner submitted an amended certificate of death to the county recorder's office. The State agency said that the payments made for this beneficiary were for services provided before the date of death and were therefore appropriate. In addition, the State agency described actions taken to strengthen its controls for identifying deceased beneficiaries to prevent overpayments. The State agency's comments are included in their entirety as the Appendix.

After reviewing the State agency's comments and additional documentation, we revised our finding to remove the payments for the beneficiary for whom services were provided before the date of death and adjusted the amount of the recommended refund.

APPENDIX

APPENDIX: DEPARTMENT OF HEALTH CARE SERVICES COMMENTS

DAVID MAXWELL-JOLLY
Director

State of California—Health and Human Services Agency
Department of Health Care Services

ARNOLD SCHWARZENEGGER
Governor

JUN 0 1 2010

Ms. Lori A. Ahlstrand
Regional Inspector General for Audit Services
Office of Inspector General
90 7th Street, Suite 3-650
San Francisco, CA 94103

Dear Ms. Ahlstrand:

The California Department of Health Care Services (DHCS) has prepared its response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG), draft report entitled "Review of Medicaid Payments for Services Claimed for Deceased Beneficiaries in California" (A-09-09-00110). DHCS appreciates the work performed by the OIG and the opportunity to respond to the draft report.

Please contact Ms. Traci Walter, Audit Coordinator, at (916) 650-0298 if you have any questions.

Sincerely,

Toby Douglas
Chief Deputy Director
Health Care Programs

cc: See next page

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JUN 01 2010

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Department of Health Care Services
Response to the Office of Inspector General's Draft Report Entitled

Review of Medicaid Payments for Services
Claimed for Deceased Beneficiaries in California

SUMMARY OF FINDING

The State agency made Medicaid payments to providers for claims with dates of service after beneficiaries' deaths. Specifically, the State agency paid a total of $388,313 ($194,157 Federal share) for 1,255 fee-for-service claims for 36 deceased Medicaid beneficiaries. The Office of Inspector General (OIG) verified the dates of death for these beneficiaries by reviewing death certificates.

The overpayments occurred because the State agency's controls did not always identify and recover payments made for services claimed to have been provided after beneficiaries' deaths. Specifically, the State agency's Medicaid eligibility data files did not always reflect that beneficiaries had died. Due to its reliance on external sources, the State agency commented that potential delays exist in obtaining and updating these data files with beneficiaries' dates of death, making it possible for claims to be paid for deceased beneficiaries.

Recommendation: OIG recommends that the State agency refund to the Federal Government $194,157 (Federal share) in Medicaid payments for claims with dates of service after beneficiaries' deaths.

Response: Health Care Services (DHCS) continues to review the OIG's findings and will refund to the Federal Government amounts paid for claims with dates of services after beneficiaries' deaths.

Summary of initial findings:

- All of the HP Enterprise Services (HP), formerly known as Electronic Data Systems (EDS), paid claims were received prior to the date of death being posted to the Medi-Cal Eligibility Data System (MEDS).

- Beneficiary #196 ($57,428 Federal share) –The San Diego Medical Examiner's Office confirmed the date of death as April 27, 2008; not December 1, 2007, as previously reported. The Medical Examiner is submitting an amended certificate of death to the County Recorder's Office. The dates of service on the claims for this beneficiary were from January 19 through January 24,

2008, making the payments appropriate. Documentation is available for the OIG's review.

- Beneficiaries #16, 38, 76, 92, 112, 117, 192, and 233 - DHCS' Audits & Investigations Division (A&I), Medical Review Branch (MRB), performs targeted reviews of providers that have billed for deceased beneficiaries. Eight of the beneficiaries identified by the OIG were also identified during MRB's targeted provider reviews. For the eight beneficiaries, MRB identified overpayments totaling $7,293.26 ($3,646.63 Federal share). Demand letters have been mailed to the providers and $1,752 ($876 Federal share) has been recovered and returned to the Federal Government. Recovery of the remaining $5,541 ($2,771 Federal share) is in process. Documentation is available for the OIG's review.

Recommendation: OIG recommends that the State agency strengthen its controls for identifying deceased beneficiaries to prevent overpayments in the future.

Response: Medi-Cal beneficiaries, family members, and/or providers must report timely any changes that impact eligibility status. Once the source of death information is received by DHCS's Information Technology Services Division (ITSD), it is processed via existing daily batch processes and updates MEDS. At this point, the beneficiary's eligibility is terminated or corrected.

Currently, the beneficiary's death information is updated in MEDS based on the frequency of data received from nine authorized sources. The hierarchical list below demonstrates the priority of data acceptance and the current frequency:

- Vital Records System (California Department of Public Health) - monthly
- Medi-Cal Eligibility Division (MCED) – daily
- SSA SSI/SSP Update - daily
- Medicare Buy-In System/BENDEX – Buy-in - monthly
- County Welfare Department reported death date - daily
- Other State/County Health Program - daily
- County Pickle Status Update - annual
- County Welfare Department reported Death Term Reason – daily

- Returned Beneficiary Identification Card (BIC) marked as deceased – weekly

DHCS has explored the viability of increased frequency from the Vital Records System data. CDPH's internal processes for receiving, verifying, and conducting quality control of birth and death records require a one-month turnaround before data can be shared with sister departments, such as DHCS.

At the direction of MRB, HP's Program Integrity Organization's ad hoc team runs a bi-annual report to identify claims paid for deceased beneficiaries. Criteria and background are as follows:

Frequency:
Bi-Annual (every six months)

Description:
- Run Paid Claim Detail report for deceased beneficiaries for all provider types for possible inappropriate payments. This will find claims submitted and paid prior to the beneficiary's date of death being posted on the eligibility file.
- Identify suspicious providers paid for claims after the beneficiary's date of death.
- Forward possible suspicious providers to DHCS-A&I-MRB.

Research Criteria (includes but is not limited to):
- Review number of days between beneficiary date of death and date of service for each provider; by-pass claims with less than three days between unless the billing provider appears to repeatedly bill this way.
- Review all locations for each provider and identify number of services provided and/or dollar amounts, as well as identifying the number of unduplicated beneficiaries and possible duplicate billing across provider locations.
- Review providers for possible sharing amongst other identified providers and for other suspicious billing patterns.

The ad hoc team reviews the bi-annual report for providers who were paid for dates of service after beneficiaries' dates of death and refers them to MRB for potential Field Audit Review (FAR) cases. FARs may result in the recovery of identified

overpayments; administrative sanctions, including withholds and temporary suspensions; or removal from the program.

In addition, DHCS will implement the following procedures:

- MRB will impose temporary suspensions on all providers exceeding $50,000 in potential overpayments for payments for deceased beneficiaries.
- DHCS's Fiscal Intermediary and Contracts Oversight Division will use the ad hoc bi-annual reports to recover overpayments for lesser amounts through the Claims Inquiry Form (CIF) process.